

Message Text

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14-11

ACTION EB-07

INFO OCT-01 EA-06 ISO-00 AGR-05 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-03 H-02

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E.O. 11652: N/A

TAGS: ETRD, RP

SUBJECT: ALLEGED PHILIPPINE SUGAR CONTRACTS

1. ALL THE MAJOR PHILIPPINE DAILY NEWSPAPERS, JUNE 6 EDITIONS, CARRIED

REMARKS ABOUT PHILIPPINE SUGAR CONTRACTS MADE BY SECRETARY OF DEFENSE AND CHAIRMAN OF THE BOARD OF THE PHILIPPINE NATIONAL BANK, JUAN PONCE ENRILE. THESE REMARKS WERE MADE IN AN OPEN FORUM FOLLOWING ENRILE'S SPEECH ON JUNE 5 TO THE CONFEDERATION OF PHILIPPINE EXPORTERS.

2. HIS REMARKS WERE THAT ONLY ABOUT 400,000 TO 600,00 TONS OF EXPORT SUGAR HAD NOT BEEN COMMITTED TO FOREIGN BUYERS. THIS WOULD IMPLY THAT 600,000 TO 800,000 TONS HAVE BEEN CONTRACTED.

ENRILE SAID THAT ALL THE REST OF THE EXPORTABLE SUPPLY HAD BEEN CONTRACTED FOR IN THE WORLD MARKET INCLUDING THE UNITED STATES WHERE THE PHILIPPINES STILL HAS A BIG MARKET DESPITE THE LAPSE OF THE U.S. SUGAR ACT LAST YEAR.

3. ENRILE ALSO ANNOUNCED THAT PNB HAD APPROPRIATED \$4.3 MILLION TO CONSTRUCT WAREHOUSING FACILITIES WITH THE NEXT 120 DAY HAVING A LIMITED OFFICIAL USE

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SUGAR STORAGE CAPACITY OF 400,000 TO 600,000 TONS.

4. CONTACTS IN THE SUGAR TRADE INDICATE THAT THEY DO NOT KNOW OF ANY NEW SUGAR CONTRACTS AND THE TRADE SOURCES CONTACTED HAVE IN THE PAST ALWAYS BEEN THE CONSIGNEES OF ANY SIZEABLE PHILIPPINE SUGAR SALES. UNLESS THE PNB HAS EMBARKED ON A NEW SELLING POLICY IN WHICH THEY BYPASS SUGAR BROKERS, IT IS HIGHLY UNLIKELY THAT ANY NEW PHILIPPINE SUGAR CONTRACT HAS CONSUMMATED.

5. REPORTEDLY FERNANDO MARAMAG, SENIOR VICE PRESIDENT OF THE PHILIPPINE NATIONAL BANK, HAS DENIED ANY KNOWLEDGE OF THE ALLEGED SUGAR SALE. WE HAVE BEEN UNABLE TO REACH MR. MARAMAG TO CONFIRM THIS REPORT.

6. A CHECK OF RECENT SHIPMENTS AND BOOKINGS INDICATES THAT 7 SHIPS SAILED IN THE MONTH OF MAY CARRYING A TOTAL OF 78,00 SHORT TONS. ALL MAY CARGOES WENT TO JAPAN. TO DATE ONLY TWO SHIPS ARE BOOKED FOR THE MONTH OF JUNE. ONE WILL CARRY A 16,000 TON CARGO OF BAGGED RAW SUGAR TO IRAN AND THE OTHER CARGO OF 14,000 TON IS DESTINED FOR JAPAN. TRADERS INDICATE THAT ONLY 2 OR 3 MORE CARGOES WILL SAIL IN JUNE AND THAT JULY SHIPMENTS SHOULD RETURN TO ABOUT THE 10 CARGO AVERAGE OF THE EARLIER MONTHS OF THIS CALENDER YEAR. IT IS RUMORED THAT THE JULY SHIPMENTS WILL COMPLETE THE OLD CONTRACTS TO THE WORLD MARKET.

7. COMMENT. TRADE INFO AND ABOVE BOOKINGS THEREFORE BELIE ENRILE'S ASSERTIONS ABOUT SUGAR CONTRACTS. IN ANY CASE WE FEEL THAT THE PHILIPPINES WILL SELL SUGAR WITHIN THE NEXT 3 TO 4 WEEKS DUE TO ACUTE STORAGE PROBLEMS, PARTICULARLY IN VIEW OF UPCOMING ADDITIONAL 350,000 TONS OF PRODUCTION. PURNELL

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